

A CONTRACT OF SERVICE VS A CONTRACT FOR SERVICES.

- An employee-employer contract is a contract *of* service
- A contractor-client contract is a contract *for* services

In each of these types of contract, both parties have specific rights and responsibilities, which differ according to the type of contract in place.

Contractors should be aware of their rights and responsibilities when they have a contract for services between their [limited company](#) or [contractor umbrella company](#) and their agency or end-user client as it will affect their IR35 status.

Employer-employee contract of service

Permanent employees have a contract of service with their employer. By definition, if a worker has a contract of service with an organisation, they are an employee for IR35 purposes.

The key rights and responsibilities of employee status under a **CONTRACT OF SERVICE** are:

- The worker is controlled by their employer – they must perform the tasks they are instructed to by a line manager according to their job description
- The worker is expected to work at a specific place during specific hours on specific days (even flexi-time has core hours)
- The worker must present themselves for work and cannot send someone else as a substitute
- Employees have statutory rights to holiday pay, sick pay, maternity and paternity rights and redundancy payments
- Employees have statutory rights regarding how they can be asked to leave their employment
- Employees enjoy a range of additional benefits, which can vary according to the employer, but might include company cars, private health insurance, staff canteens, health clubs and gyms and so on
- Employees are not personally liable for any errors they make when completing work for their employer, nor are they expected to make good in their own time.

There is also a relationship between an employee and employer called '[mutuality of obligation](#)', often referred to in shorthand as 'MOO'. Mutuality of obligation is one of the key tests of employment status and whether a contract is inside or outside of IR35.

Mutuality of obligation means that an employer is obliged to provide work for an employee, and the employee is obliged to complete the work. Within the scope of their job description, employees have to complete the work that 'comes down the pipe', which is one of their fundamental distinctions from a contractor.

If the employee fails to fulfill their obligations, the employer can take action that may ultimately result in the employee's dismissal. Similarly, if the employer does not fulfill their obligation to the employee, the employee can take action that might result in an industrial tribunal.

If you are investigated by HMRC they will consider all these issues when determining your IR35 status and they will ask you explain yourself if they find discrepancies.